

## Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY BRASILIA

AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

AMEMBASSY BOGOTA

AMEMBASSY SAN SALVADOR

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY BONN

AMEMBASSY HELSINKI

USMISSION EC BRUSSELS

AMEMBASSY ABIDJAN

AMEMBASSY OTTAWA

USMISSION OECD PARIS

AMCONSUL LUANDA

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FOLLOWING REPEAT LONDON 01090 SENT SECSTATE DATED JAN 23.

QUOTE

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E.O. 11652: N/A

TAGS: OCON, ETRD, UK

SUBJ: COFFEE: WORKING GROUP ON NEGOTIATION OF A NEW  
AGREEMENT, JANUARY 20

1. SUMMARY: WORKING GROUP MET JANUARY 20. MORNING

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SESSION DEVOTED TO PROCEDURAL MATTERS; AFTERNOON TO

GENERAL DISCUSSION OF OBJECTIVES AT REQUEST OF BRAZIL.  
END SUMMARY.

2. WORKING GROUP ON NEGOTIATION STARTED LATEST SERIES OF MEETINGS JANUARY 20. MORNING SESSION DEVOTED LARGELY TO PROCEDURAL MATTERS. AT SUGGESTION OF BRAZIL, AFTER-NOON SPENT IN GENERAL DISCUSSION OF "FUNDAMENTAL OBJECTIVES OF AN AGREEMENT."

3. BRAZILIAN REP (RAFFAELLI) LED OFF DISCUSSION WITH STATEMENT OF GOB OBJECTIVES: (1) BRING ABOUT REASONABLE BALANCE BETWEEN SUPPLY AND DEMAND; (2) ASSURE CONSUMERS OF SUPPLIES ADEQUATE TO COVER DEMAND AT PRICES WHICH DO NOT DISCOURAGE PRODUCTION; (3) ASSURE PRODUCERS A DISCIPLINED MARKET; (4) MAINTAIN PRICES WITHIN A NEGOTIATED LEVEL WITH PROVISIONS TO MAINTAIN REAL VALUES; AND (5) ESTABLISH PRODUCTION AND STOCKPILE POLICIES. RAFFAELLI CONTINUED THAT BRAZIL SEES SITUATION BETWEEN NOW AND 1981 AS ONE OF RELATIVE SUPPLY/DEMAND BALANCE. THEREFORE, AN AGREEMENT SHOULD BE DESIGNED TO DEAL WITH SPECIAL SUPPLY SITUATION WHICH MIGHT ARISE IN ANY GIVEN YEAR. ON PRICES, BRAZIL RULES OUT IDEA OF MINIMUM PRICE AGREEMENT AND SEEKS TO DEFEND AN AVERAGE WHICH ACCEPTABLE TO BOTH CONSUMERS AND PRODUCERS. ALTHOUGH SOMEWHAT DIFFERENT IN APPROACH, BRAZIL THINKS THE PORTUGUESE PROPOSAL COULD PROVE ACCEPTABLE.

4. BELGIAN REP (SURQUIN) POINTED OUT PRODUCTION FORECASTS ARE TRICKY AND EITHER A FROST OR AN UNUSUALLY GOOD CROP IN BRAZIL COULD ALTER SUPPLY SITUATION RADICALLY. HE ASKED OTHER PRODUCERS TO GIVE THEIR VIEWS OF SUPPLY SITUATION OVER NEXT FIVE YEARS.

5. USREP COMMENTED ALL COULD AGREE WITH GENERAL THRUST OF BRAZIL ANALYSIS, INCLUDING PROBABLE SUPPLY/DEMAND BALANCE AND NEED FOR ASSURANCE OF ADEQUATE SUPPLIES AT EQUITABLE PRICES. US SUGGESTED GROUP MOVE RAPIDLY INTO THE SUB-GROUP ON SUPPLY/DEMAND TO TAKE CLOSER LOOK AT WHERE WE STAND.

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6. EXECUTIVE DIRECTOR COMMENTED ICO PROJECTIONS, DEPENDING ON ASSUMED VARIATIONS SHOW BOTH SHORTAGE AND SURPLUS. HE SUGGESTED DISCUSSION FOCUS ON MACHINERY TO MAINTAIN EQUILIBRIUM.

7. FRENCH REP (GALLO) SUGGESTED POSSIBILITY OF A BUFFER STOCK TO MODERATE SUPPLY AND PRICE FLUCTUATIONS. SAID TARGET PRICE SHOULD BE ESTABLISHED ANNUALLY ALONG TREND

LINES.

8. FRG REP (BEHRENDT) SAID HE DID NOT RULE OUT A BUFFER STOCK PER SE, BUT PAST EXPERIENCE WITH BUFFER IN TIN AGREEMENT HAD BEEN BAD FOR CONSUMERS.

9. EL SALVADOR REP STATED THERE IS NO QUESTION A SURPLUS EXISTS AND THAT IS WHY PRICES HAVE FALLEN. HE CALLED FOR RETENTION OF STOCKS BY ALL PRODUCERS ADMINISTERED JOINTLY BY PRODUCERS AND CONSUMERS AND FOR STUDIES OF PRODUCTION COSTS TO SERVE AS BASIS FOR NEGOTIATION OF A PRICE RANGE WITH CONSUMERS.

10. FINLAND REP AGREED WITH EL SALVADOR AND SUGGESTED DISCUSSIONS MOVE ONTO SPECIFICS OF PRICE.

11. FRG REP ASKED PRODUCING COUNTRIES HOW THEY FELT ABOUT PRODUCTION POLICY OF A NEW AGREEMENT, POINTING OUT EARLIER AGREEMENTS HAD NOT BEEN EFFECTIVE IN THIS REGARD. HE ASKED IF THEY WERE PREPARED TO ACCEPT ICO INTERFERENCE IN THEIR INTERNAL AFFAIRS TO INSURE EFFECTIVE PRODUCTION CONTROLS.

12. OAMCAF REP (N'DIA) STATED AGREEMENT SHOULD BE ADAPTABLE TO VARIED SITUATIONS OF OVERPRODUCTION, BALANCE AND SHORTAGE. HE SUGGESTED GROUP "BREAK OUT OF VICIOUS CIRCLE" BY ENDING GENERAL DISCUSSIONS AND GETTING DOWN TO SPECIFICS.

13. UK REP (MCLACHLAN) RETURNED TO ORIGINAL POINTS RAISED BY BRAZIL. / HE SAID UK SEEKS AGREEMENT TO COPE WITH WIDEST RANGE OF POSSIBILITIES. WHILE IT APPEARS NO MASSIVE SURPLUS IN SIGHT, WE NEED SOMETHING LIMITED OFFICIAL USE

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TO DEAL WITH ROUGH BALANCE AND POSSIBLE VARIATIONS. ON SUPPLY, UK BELIEVES PRODUCERS MUST HAVE MARKET INCENTIVE TO PRODUCE ENOUGH BUT NOT BE INDUCED INTO OVERPRODUCTION. ON PRICE, HE AGREED WITH EL SALVADOR THAT COST OF PRODUCTION COULD BE STARTING POINT FOR CONSULTATION. UK ALSO RAISED QUESTION OF EXPORT AVAILABILITY, SAYING PRODUCERS MUST BE PREPARED TO SHIP WHAT THEY HAVE IN TIMES OF TIGHT SUPPLY. HE ADDED UK NOT OPPOSED IN PRINCIPLE TO BUFFER STOCK, BUT "IT WOULD BE UNFAIR TO SAY WE HAVE AN OPEN MIND.. HE MENTIONED NUMBER OF PROBLEMS INCLUDING BUFFER STOCK FINANCING.

14. CANADIAN REP (MUSGROVE) SAID HE COULD FIND LITTLE TO DISAGREE WITH IN OBJECTIVES OUTLINED BY BRAZIL.

HE DEFINED A "REASONABLE, REMUNERATIVE PRICE" AS ONE NEGOTIATED AND AGREED BETWEEN PRODUCERS AND CONSUMERS. HE SAID CANADA NOT CONVINCED OF NEED FOR BUFFER STOCK WHICH MIGHT END UP ACCUMULATING UNWANTED TYPES OF COFFEE. WHAT IS PREFERABLE IS A RETENTION SYSTEM WHICH MAKES COFFEE AVAILABLE WHEN NEEDED.

15. EXECUTIVE DIRECTOR COMMENTED DISCUSSION HAD SHOWN GENERAL CONSENSUS ON OBJECTIVES; DIFFERENCES ON MACHINERY. HE SAID DELEGATIONS APPEARED READY FOR SUB-GROUP MEETINGS AND SCHEDULED THEM FOR FOLLOWING DAY. BRAZIL EXPRESSED SATISFACTION WITH COURSE OF DISCUSSION.

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## Message Attributes

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